



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**TENNESSEE COMMISSION ON
CHILDREN AND YOUTH**

Financial and Compliance Audit Report

July 2016

Justin P. Wilson, Comptroller



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July 18, 2016

The Honorable Bill Haslam, Governor
Members of the General Assembly
Ms. Linda O'Neal, Executive Director

Ladies and Gentlemen:

Transmitted herewith is the audit of the Tennessee Commission on Children and Youth for the period January 1, 2014, through December 31, 2015.

The review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements resulted in the findings that are detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

Deborah V. Loveless, CPA
Director

Audit Report
Tennessee Commission on Children and Youth
For the Period January 1, 2014, Through December 31, 2015

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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Tennessee Commission on Children and Youth

For the Period January 1, 2014, Through December 31, 2015

Audit Scope

We have audited the Tennessee Commission on Children and Youth for the period January 1, 2014, through December 31, 2015. Our audit scope included a review of internal control and compliance with laws and regulations in the areas of revenues; travel; purchasing cards; grants; and payroll and personnel. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Audit Findings

The Tennessee Commission on Children and Youth did not properly monitor its subrecipients

For 38 of 38 subrecipients tested (100%), problems existed. One subrecipient was not monitored. The working papers for the remaining 37 subrecipients did not contain adequate documentation to substantiate that all necessary monitoring steps were performed (page 6).

The Tennessee Commission on Children and Youth did not obtain updated conflict-of-interest statements annually

The commission did not obtain annual conflict-of-interest statements for 10 of 13 staff (77%) and 21 of 23 commission members (91%) tested (page 10).

Audit Report
Tennessee Commission on Children and Youth
For the Period January 1, 2014, Through December 31, 2015

INTRODUCTION

Post-Audit Authority

This audit of the Tennessee Commission on Children and Youth was conducted pursuant to Section 8-4-109, *Tennessee Code Annotated*, which authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

Background

The Tennessee Commission on Children and Youth (the commission) is an independent state agency created by the Tennessee General Assembly. The commission includes the Executive Director and approximately 24 other filled positions, and the annual budget is approximately \$2.4 million. Its primary mission is advocacy for improvement in the quality of life for the state's children and families. To fulfill this mission, staff of the commission gather, analyze, and report information on children and families for the planning and coordination of policies, programs, and services. The commission evaluates selected state programs and services for children.

The commission's policymaking body is a 21-member board appointed by the Governor and consists of people active in addressing the problems and needs of children and youth. At least one member is selected from each of the state's nine development districts. Four youth advisory members serve on the commission to meet the federally mandated composition required for a state advisory group.

AUDIT SCOPE

We have audited the Tennessee Commission on Children and Youth for the period January 1, 2014, through December 31, 2015. Our audit scope included a review of internal control and compliance with laws and regulations in the areas of revenues; travel; purchasing cards; grants; and payroll and personnel. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable

basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

Revenues

The objectives of our review of the controls and procedures for revenues were to determine whether cash receipts were deposited timely in accordance with the state's Department of Finance and Administration policies; cash receipts were adequately supported and correctly recorded in the accounting records; and federal revenue agreed to or reconciled to qualifying expenditures.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the commission's procedures and controls over revenues. We tested a nonstatistical sample¹ of cash receipts, totaling \$16,144, from a population of \$32,040 for the period January 1, 2014, through December 31, 2015, to determine whether cash receipts were properly recorded, supported, and deposited in compliance with Department of Finance and Administration policies. In addition, we performed analytical procedures comparing federal reimbursement revenues to qualifying expenditures.

Based on our interviews, review of supporting documentation, analytical procedures, and testwork performed, we determined that

- cash receipts were correctly recorded in the accounting records and adequately supported, except for two instances where the date of the receipt was not documented;
- cash receipts were deposited timely in accordance with the Department of Finance and Administration policies, with minor exceptions; and
- federal revenues correlated with qualifying expenditures.

¹ For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient appropriate audit evidence to support the conclusions in our report. This sample was selected in such a manner as to permit the results to be projected to the population from which the sample was drawn.

Travel

The objective of our review of the travel controls and procedures was to determine whether payments for travel were made in accordance with the Comprehensive Travel Regulations issued by the Department of Finance and Administration.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the commission's procedures and controls over travel. We tested a nonstatistical sample² of travel expenditures, totaling \$38,430, from a population of \$205,981 for the period January 1, 2014, through December 31, 2015, to determine whether travel expenditures were adequately supported and complied with regulations.

Based on our reviews, interviews, and testwork performed, we determined that payments for travel were made in accordance with the Comprehensive Travel Regulations, except for two minor exceptions.

Purchasing Cards

The objectives of our review of purchasing card (previously called payment card) controls and procedures were to determine whether purchasing card transactions complied with the Department of General Services' purchasing policies and procedures.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the commission's procedures and controls over purchasing cards. We reviewed the purchase description of a listing of purchasing card transactions, totaling \$48,283, for the period January 1, 2014, through December 31, 2015, to ensure purchasing card transactions were not for items prohibited by the purchasing card policies. We also scanned the listing for unusual vendors and potential splitting of purchases.

Based on our interviews, review of supporting documentation, and testwork performed, we determined that purchasing card transactions complied with the Department of General Services' purchasing policies and procedures, except for seven purchases specifically prohibited by Section 11.1 of the *Statewide Purchasing Card Policy and Procedures*. Five purchases totaling \$4,259 were made for hotel rooms for staff (\$2,741) and commission members (\$1,518) during official state business, and two transactions totaling \$250 were for payments to another state agency. The agency cardholder attempted to confirm that the card could be used for hotel rooms, but a formal exception to the policies was never obtained.

² See footnote 1.

Grants

The objectives of our review of the grants controls and procedures were to determine whether

- grant expenditures were made in accordance with established policies and procedures, were adequately supported, and were properly approved;
- the commission filed annual monitoring plans as required by Central Procurement Office (CPO) Policy Number 2013-007, “Grant Management and Subrecipient Monitoring Policy and Procedures”; and
- the commission monitored grant contracts in accordance with its monitoring plans and CPO Policy 2013-007.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the commission’s procedures and controls over grant management and subrecipient monitoring. We tested a nonstatistical sample³ of grant expenditures, totaling \$55,253, from a population of \$2,627,476 for the period January 1, 2014, through December 31, 2015, to determine whether grant expenditures were made in accordance with established policies and procedures, were adequately supported, and were properly approved. We obtained and reviewed the commission’s annual monitoring plan for the compliance period October 1, 2014, through September 30, 2015, to determine whether the annual monitoring plan was properly submitted to the Central Procurement Office. We tested all grants identified in the annual monitoring plan for the period October 1, 2014, through September 30, 2015, to determine if the commission monitored the grants in accordance with the Department of General Services’ Central Procurement Office Policy Number 2013-007, “Grant Management and Subrecipient Monitoring Policy and Procedures.”

Based on our interviews, review of supporting documentation, and testwork performed, we determined that

- grant expenditures were made in accordance with established policies and procedures, were adequately supported, and were properly approved;
- the commission filed annual monitoring plans in accordance with CPO policies; and
- the commission did not properly monitor subrecipients in accordance with the monitoring plans and applicable policies. See finding 1.

³ See footnote 1.

1. The Tennessee Commission on Children and Youth did not properly monitor its subrecipients

Condition

The Tennessee Commission on Children and Youth awarded 38 grants to 38 different subrecipients for the period October 1, 2014, through September 30, 2015. These awards, which totaled \$889,198, were made from the Court Appointed Special Advocate (CASA) grants, Juvenile Accountability Block Grant (JABG), and the Juvenile Justice Reimbursement Account. CASA grants subsidize expenses of CASA programs that recruit, train, and supervise volunteers approved by the courts, to serve as advocates for the best interest of abused, neglected, or dependent children and other children whose placements are being decided by the courts. JABG helps the state develop programs that promote greater accountability among offenders and in the juvenile justice system. The Juvenile Justice Reimbursement Account is used to provide financial assistance to counties in paying for alternatives to placing children in adult jails.

In accordance with the Department of General Services' Central Procurement Office, Policy Number 2013-007, "Grant Management and Subrecipient Monitoring Policy and Procedures," the commission's subrecipient monitoring staff established an annual monitoring plan, assigned subrecipients to monitors, and prepared working papers to document its reviews.

Our review of the subrecipient monitoring documentation found problems with all 38 subrecipients. First, one subrecipient was not monitored. Second, the working papers for the remaining 37 subrecipients did not contain adequate documentation to substantiate that all necessary monitoring steps were performed. The following deficiencies were noted in subrecipient monitoring files:

- 26 of 26 applicable files tested (100%) did not contain evidence that the monitor ensured subrecipients avoided conflicts of interest;
- for the one subrecipient requiring insurance coverage, the files did not contain documentation indicating that the monitor ensured the subrecipient obtained the required coverage;
- for the one subrecipient required to register with the Department of Revenue for the collection of Tennessee sales and use tax, there was no evidence that the monitor ensured the subrecipient complied;
- 25 of 25 applicable files tested (100%) did not contain evidence that the monitor ensured the subrecipient complied with CASA standards;
- 10 of 10 applicable files tested (100%) did not contain evidence that the monitor ensured the agency met the unique requirements concerning the composition of the agency's board of directors as required by the grant;
- 3 of 4 applicable files tested (75%) did not contain evidence indicating that the monitor ensured state travel regulations were followed;
- 22 of 37 files tested (59%) did not contain evidence that the monitor ensured the

Comptroller's hotline poster was displayed in the correct location on the subrecipients' premises;

- 20 of the 37 files tested (54%) did not contain evidence that the commission monitored the subrecipient to ensure compliance with Title VI by displaying notice of nondiscrimination in conspicuous places, available to all employees and applicants;
- 15 of the 37 files tested (41%) did not contain evidence that the monitor reviewed all financial or programmatic reports required by the grant;
- 12 of 36 applicable files tested (33%) did not contain evidence that the monitor ensured that all notices, pamphlets, and similar publications identified that the project was funded through an agreement with the state;
- 6 of 26 applicable files tested (23%) did not contain evidence that the monitor ensured the required criminal background checks and sex offender registry checks were completed for all staff and volunteers who provided direct services to minors, prior to beginning those services;
- 8 of 37 files tested (22%) did not contain evidence indicating that the monitor ensured reimbursement requests were based on actual, reasonable, and necessary costs based upon the grant budget; and
- 1 of the 19 applicable files tested (5%) did not contain evidence showing that the monitor ensured the subrecipient took timely and appropriate corrective action on all deficiencies noted by the commission.

Criteria

Paragraph 9.2.3 of Department of General Services Policy 2013-007 states:

The Grantor State Agency's monitoring of the Subrecipients identified in its annual monitoring plan shall include:

- Any program-specific monitoring requirements;
- All applicable requirements of Title VI of the Civil Rights Act of 1964, as defined in the Title VI Compliance Commission Advisory Memorandum No. 3, April 14, 2004;
- Reviewing any reports required by 2 C.F.R. §§200.328 – 200.329;
- Reviewing financial and programmatic reports required by the Grant Contract; and
- Ensuring that the Subrecipient takes timely and appropriate action on all deficiencies pertaining to the Award that the Grantor State Agency detected and communicated to the Subrecipient.

Cause

Management stated these problems were caused by a lack of training for subrecipient monitors on the items that should be monitored or on how to complete a proper financial review. The monitors also stated they were not aware they should be monitoring all of the items noted. In addition, the commission does not have adequate written guidance concerning the depth and quality of the reviews to be performed, other than the General Services policy. The one subrecipient that was not monitored was never assigned to a monitor.

Effect

If adequate monitoring is not performed, the commission cannot have assurance that grantees are performing as directed by the grant. Specific objectives may not be met, and fraud, waste, or abuse may occur.

Recommendation

Management should ensure that subrecipient monitors are adequately trained on their job responsibilities and are aware of all items they should be reviewing during their monitoring visits. Management should also develop comprehensive written guidance detailing the reviews to be performed.

Management's Comment

We concur. The Tennessee Commission on Children and Youth is committed to properly monitoring subrecipients. The Subrecipient Monitoring Plan and tools utilized to implement the plan will be revised to improve the monitoring process, especially related to documentation, and address all concerns identified. Specifically, all staff who monitor subrecipients will document the results of the review by affirmatively documenting compliance with requirements as well as continuing to document noncompliance. This should address the findings where the files did not contain evidence regarding the actions of the monitor, and all findings will be addressed. The Commission will implement strategies to ensure any contracts completed after the development of the subrecipient monitoring plan are assigned for monitoring. It should be noted the Commission does not have any dedicated subrecipient monitoring staff; all monitors carry out this function in addition to their primary duties. All staff who conduct monitoring will be trained regarding the revised monitoring plan and tools to ensure proper monitoring of subrecipients. This will include written guidance regarding the review process.

Payroll and Personnel

The objectives of our review of the payroll and personnel controls and procedures were to determine whether

- payroll disbursements were made for work performed by an employee of the commission;
- payroll transactions were properly approved, adequately supported, and agreed to personnel records;
- documentation indicated that newly hired employees or employees who changed positions during the audit period were qualified for their positions;
- the initial wage was correct for newly hired employees;
- terminated employees' final pay was accurate, their employment status was properly updated in the personnel system, and they did not appear on the next succeeding payroll register; and
- conflict-of-interest statements were properly obtained from commission members and employees.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the commission's procedures and controls over payroll and personnel. We tested a nonstatistical sample⁴ of payroll transactions, totaling \$56,843, from a population of \$3,688,432 for the period January 1, 2014, through December 31, 2015, to determine whether payroll disbursements were made for work performed by employees of the department, properly approved, adequately supported, and agreed to personnel records. For newly hired or promoted employees from January 1, 2014, through December 31, 2015, we reviewed personnel files to determine if they contained documentation indicating the employees met the job qualifications. For newly hired employees, we also recalculated the employees' initial pay to determine if the initial wage was correct. For terminated employees, we reviewed personnel files and payroll records to determine if the employees' final pay was accurate, their employment status was properly updated in the personnel system, and they did not appear on the next succeeding payroll register. We reviewed the conflict-of-interest statements for commission members and employees.

Based on our interviews, review of supporting documentation, and testwork performed, we determined that

- payroll disbursements were made for work performed by employees of the department;
- payroll transactions were properly approved, adequately supported, and agreed to personnel records;
- documentation indicated that newly hired employees or employees who changed positions during the audit period were qualified for their positions;
- the initial wage was correct for newly hired employees;

⁴ See footnote 1.

- terminated employees' final pay was accurate, their employment status was properly updated in the personnel system, and they did not appear on the next succeeding payroll register; and
- the commission did not obtain updated conflict-of-interest statements from commission members and employees. See finding 2.

2. The Tennessee Commission on Children and Youth did not obtain updated conflict-of-interest statements annually

Condition

Ten of 13 employee personnel files examined (77%) did not contain a conflict-of-interest statement that had been updated during the period January 1, 2014, through December 31, 2015. The commission also did not obtain updated conflict-of-interest statements for commission members. A review of members' conflict-of-interest statements for the same period revealed that 21 of 23 commission members' statements (91%) had not been updated.

Criteria

The Tennessee Commission on Children and Youth *Employee Policies & Procedures Manual* states, "All staff must fill out and sign a Conflict of Interest Form . . . annually." Commission members' conflict-of-interest statements should likewise be updated annually.

Cause

The commission did not have controls in place to ensure that conflict-of-interest statements were obtained and updated annually.

Effect

By not obtaining annual conflict-of-interest statements, the commission increases the risk that staff or commission members may have an improper personal or pecuniary interest in commission contracts or transactions.

Recommendation

The commission should develop procedures to ensure that conflict-of-interest statements are obtained and updated annually for staff and commission members.

Management's Comment

We concur. As a result of staff turnover at both the Tennessee Commission on Children and Youth and the Department of Human Resources division that provides the Commission's human resources tasks, there was a lapse in securing annual updates of conflict-of-interest forms for

staff. In early 2016, all TCCY staff completed current conflict-of-interest forms, and new staff have been asked to complete these forms as part of the onboarding process. The staff turnover at the Commission contributed to the lapse regarding Commission member forms. The forms for Commission members were updated by members in attendance at meetings in February and May 2016. As new members are appointed, they will be asked to complete conflict-of-interest forms. Commission staff has implemented practices to ensure annual conflict-of-interest forms are completed by staff and Commission members each year.